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South Africa, Republic of

Exporter Guide

Annual Report

2005

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Report Highlights:
The continued growth in GDP for over ten years has increased South Africa's attraction as an investment and marketing platform for the rest of Africa. In 2004, the U.S. exported $192 million of agricultural, fish, and forestry products to South Africa, a high since 1999 due in part to the appreciation of the value of the rand versus the dollar. 2003 and 2004 wheat exports to South Africa were especially high due to poor wheat crops in competing countries, a newfound preference for U.S. hard red winter wheat, and a favorable exchange rate. Intermediate agricultural products such as planting seeds are important imports for South Africa, and animal fats have shown consistent and substantial growth over the past five years. A variety of high-value products such as almonds, pistachios, canned salmon, whiskey, and frozen food preparations have shown consistent growth over the last five years and present important opportunities for U.S. Exporters.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Pretoria [SF1]
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SECTION I: MARKET OVERVIEW

The Republic of South Africa has a market-oriented economy and is a net exporter of agricultural products. It has a highly diversified agribusiness sector and is self sufficient in primary foods with the exceptions of wheat, oilseeds and rice. Because of South Africa's well-developed processed food and competitive horticultural sectors, U.S. exports to South Africa consist mostly of bulk and intermediate agricultural products. The economic sectors of South Africa consist of agriculture: 3.8%, industry: 31%, and services: 65.2%.

2004 saw a strengthening in the value of the rand, while in previous years U.S. exports were negatively impacted by the decline in the value of the rand compared to the dollar. The average weighted exchange rate of the rand to the U.S. dollar dropped to 6.44 in 2004 from 7.56 in 2003 and R10.52 in 2002. The combination of the weak dollar against the strong rand and euro is helping to make U.S. products more affordable and to increase American exports to South Africa.

Over the last five years the United States has exported an average of 163 million dollars per year of agricultural, fish and forestry products to South Africa. Bulk agricultural commodities such as wheat and course grains have been exported in substantial quantities in the last two years. American rice exports in the South African market have drastically dropped in 2003/2004 due to its high price. U.S. wheat exports to South Africa have been especially high in 2003 and 2004 due to poor wheat crops in competing countries, a newfound preference for U.S. hard red winter wheat, and a favorable exchange rate. Intermediate agricultural products, such as planting seeds, are an important export to South Africa. Animal fats have shown consistent and substantial growth over the past five years, and exports of animal hides have significantly grown for the past three years as well. Several high value products like almonds, pistachios, canned salmon, whiskey, and frozen food preparations have shown consistent growth over the last five years and represent important opportunities for U.S. exporters. The exports of edible fish and seafood sharply increased in 2004 and there are many opportunities for sustained growth in this sector as well.

The South African food and beverage market is becoming increasingly sophisticated and now offers a wide range of imported products. This development caused the exports of sugars, sweeteners and beverage bases to increase in 2004. The market is divided into two segments, the first prosperous and largely white, the second poor and largely black. (However, the black population's buying power is increasing and improving the market for imported food products.) South Africans in the middle and upper income levels are demanding healthier, convenient, quality foods, while the poor majority requires basic staple foods at affordable prices. For example, the organic foods market is growing rapidly in South Africa and supermarkets are using promotions that emphasize the health benefits of various products. Also, the food retailer Pick AND Pay has opened stores in township areas, places that have been historically underserved by large supermarket style stores.

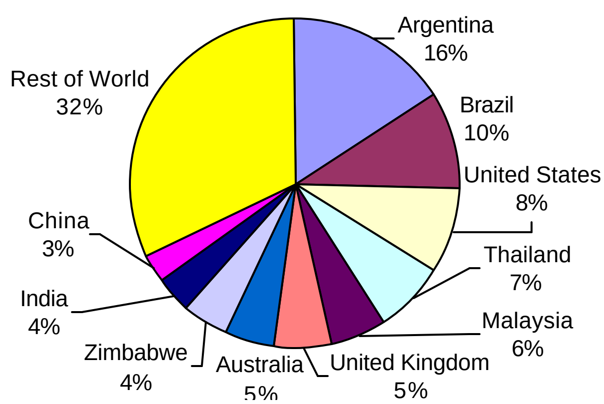
Market surveys have repeatedly shown that price sensitivity rules consumer behavior. South African industry leaders concur with a current ACNielsen study that supports this conclusion, stating that price, above other factors like quality or appearance, is the primary factor in selecting a product. However, an interesting idiosyncrasy of the South African market is that price may be less of a factor in townships, where consumers often show significant brand loyalty for certain branded items.

Table: Trade of major agricultural, forest and fishery products between US and South Africa for calendar year 2004.[1]			
South Africa's Major Bulk, Intermediate and Consumer-Oriented Agricultural Imports from the United States		South Africa's Major Bulk, Intermediate and Consumer-Oriented Agricultural Exports to the United States	
Jan-Dec 2004	$millions	Jan-Dec 2004	$millions
Wheat	$51.1	Other Fresh Fruit	$46.7*
Coarse Grains	$10.9	Wine and Beer	$33.0*
Hides & Skins	$13.2*	Tree Nuts	$19.4*
Animal Fats	$6.9	Fruit and Vegetable Juices	$11.3
Planting Seeds	$9.8	Processed Fruits & Vegetables	$9.0
Tree Nuts	$4.0*	Raw Beet & Cane Sugar	$9.2
Sugars, Sweeteners & Beverage Bases	$5.8*	Other Value Added Wood Products	$29.0*
Other Consumer Oriented Products	$11.4*	Nursery Products & Cut Flowers	$4.7*
Hardwood Lumber	$9.7	Tea	$1.2*
Panel Products (including Plywood)	$6.4	Lobster	$16.9
Edible Fish & Seafood Products	$4.5*	Other Edible Fish & Seafood	$13.2
Agricultural Total	$167.66	Agricultural Total	$154.74*
Agricultural Fish & Forestry Total	$192.44	Agricultural Fish & Forestry Total	$219.48*

A. U.S. Market Position:

South Africa's 2004 total agricultural, fish and forestry imports amounted to $2.88 billion, up from 2.1 billion in 2003. The leading suppliers were Argentina $454.88 million, Brazil $283.78 million, the United States $239.91 million, Thailand $197.45, Malaysia $161.83 million, and the United Kingdom $156.76 million.

2004 Top Exporting Nations of Agricultural Fish and Forestry Products to South Africa



[1] "*" Denotes highest export level since at least CY 1970.
Note that the category "Other Consumer-Oriented Products" has grown significantly since 2001 and is expected to continue to increase in 2005. The specific products in this category, which showed growth or were substantial US exports, are Other Food Preparations, Other Frozen Food Preparations, Carbonated Soft Drinks, Gelatin Food Preparations and Spices.

B. Advantages and Challenges Facing Sales of U.S. Products in South Africa

Advantages	Challenges
Favorable exchange rate. Strong rand and euro with the weak dollar make American imports more affordable.	Retailers and consumers have limited knowledge about the variety of U.S. products.
South African consumers view U.S. products as high quality.	Acquired tastes and preferences for traditional, locally produced products.
South African importers seek suppliers who can offer quality products at competitive prices.	Challenging for U.S. suppliers to respond to trade-lead inquiries in a timely fashion.
The growing retail industry needs imported food and beverage products.	Competition from other countries and locally produced products.
Transparent import regulations.	
A steady decline in tariff levels on most products.	

Section II: EXPORTER BUSINESS TIPS

A. Local Business Customs:

Generally, business hours are weekdays from 8:00 a.m. to 1:00 p.m. and 2:00 p.m. to 4:30 p.m. Most offices observe a five-day week, but shops are generally open from 8:30 a.m. to 5:30 p.m. weekdays and from 8:30 a.m. to 1:00 p.m. on Saturdays. Banks are open weekdays from 9:00 a.m. to 3:30 p.m. and Saturdays from 8:30 a.m. to 11:00 a.m. The monetary unit of South Africa is the rand (R), which is divided into 100 cents (c). Shopping is similar to that in the United States, with large and very modern shopping centers providing diverse product lines similar to those found in the United States.

Terms of Payment: Business transactions in South Africa are commonly carried out on open terms with payments being made within 45 to 50 days after bill of lading. However, when working with new clients, irrevocable letters of credit are advisable. Cash against documents arrangements are also used, although there are some risks in these arrangements that make letters of credit a safer alternative for the exporter.

B. Trade and Marketing Services:

Franchising: According to the Franchise Association of Southern Africa, the largest franchise sector in South Africa is fast food, representing 29% of the franchise industry. According to 2002/2003 surveys, South Africa’s most popular take-out food item is chicken. However, pizza, hotdogs and chips (french fries), and hamburgers are also popular choices. The survey also specified that of the consumers, who preferred chicken, 66% were black and 18% were white. An example of a successful franchising operation is “Famous Brands,” which has recently doubled its number of restaurant outlets from 562 to 1040. The Famous Brands franchise model includes a manufacturing facility that supplies bakery, butchery and sauce products to franchises including Steers and Wimpy’s (hamburger restaurants), Church’s Chicken, Debonairs Pizza, Brazilian Coffee and House of Coffees. The Franchise Association held its annual Franchise Exposition at the Sandton Convention Center in May 2005 and had a record attendance of 8,615 people. This was a 56% increase from 2004, and the franchise industry is expected to grow in the coming years with increased interest from producers and consumers. The addition of forecourts, which is a convenience store linked to a gas station, is an expanding venture that provides opportunities for U.S. producers as well. South Africa has fixed gasoline prices nationwide, and gas stations are realizing that there are more potential profits to be made by selling other items to consumers such as food, snacks, beverages and other products in addition to gasoline. Restaurant franchises are joining with gas stations to create an enticing atmosphere and to encourage customers to purchase more than gasoline. U.S. franchises have the ability to link with South African gas stations to reap the benefits in profit from the convenience provided for consumers in forecourts.

Direct Marketing: Although South Africa's foreign exchange controls and import documentation requirements have been relaxed, we recommend that U.S. companies contract with a South African agent or partner who would be responsible for marketing the product, holding stock, fulfilling purchasing transactions and remitting revenue to the U.S. company. Companies interested in learning more about South Africa's mail order sector may contact the South African Direct Marketing Association.

Joint Venture/Licensing: Exchange control regulations stipulate that the South African Reserve Bank (SARB) must approve the payment of royalties. When a licensing agreement involves no manufacturing, the request for exchange control approval is sent directly to SARB. For a company interested in entering into a licensing agreement with a local company to manufacture a product in South Africa, the South African licensee must submit an application to the industrial Development Branch of the Department of Trade and Industry. The application should include a draft licensing agreement and a questionnaire (Form MP 337). The Department of Trade and Industry, in turn, will make a recommendation to the SARB. Additional information on licensing regulations can be obtained from the Directorate of Technology Promotion.

Steps in Establishing an Office: Foreign companies that wish to establish a subsidiary in South Africa must register in accordance with the Companies Act of 1973. The Act, which is administered by the Registrar of Companies, regulates the formation, conduct of affairs, and liquidation of companies. The Act makes no distinction between locally owned or foreign owned companies, and companies may be either private or public. For more information, please see the Department of Trade and Industry website at www.dti.gov.za.

C. Consumer Tastes and Preferences:

South African food retailers serve a wide range of consumers. At one end, there are supermarkets very similar to those found in the United States. These shops provide most of the products and services found in U.S. grocery stores like processed foods, packaged meats and fancy produce. South Africans are also able to purchase organic products and vegetables, which are fast growing segments of the retail food market (lead by organic baby food). Many supermarkets serve pre-assembled meal items such as roasted chickens and cut vegetables ready for soup, stir-fry, and salads, while others sell ready-made meals like sandwiches and sushi. At the other end, consumers are also well served by a thriving informal sector. Spazas are independent grocers that are typically found in townships and generally specialize in staple foods like cornmeal, rice, cooking oils and meats. They may also sell soft drinks and other low-priced consumer oriented goods. The food retailer Pick 'N Pay has also opened stores in township areas, which have been historically underserved by large supermarket style stores.

Despite the variety of options available to South African consumers, price sensitivity rules their behavior. A source survey in 2002 found that 47.8% based their decisions on price and 16.9% buy store brand (generic brand) items because they are good value for money. Only 13.4% mentioned quality as a motivator, while 4.3% perceived the store brand to be equal to name brand items. Products that are successful with store brand labels include milk, syrups, dry pasta, nuts, canned fruits and jellies.

Although many South Africans choose products according to price, consumers in townships often demonstrate contradictory demands and characteristics. For example, spazas and other informal shops tend to only supply leading brand items because their customers demonstrate strong brand loyalty. Adding to this trend is the fact that the black population's buying power is increasing. At the same time, product attributes that may help a product succeed in township markets are less expensive and/or single service package sizes and ambient-stable products that do not require refrigeration. A local research company recently reported findings that confirm this, stating, "we have heard for the past 20 years that the [low income] consumer wants smaller packaging, but it is still amazing how many manufacturers do not heed that call."

South Africans love meat, and barbeque, called braai, is very popular. Braai products, such as sauces, are also popular, especially sweet and spicy flavors. A wide variety of meats are available, such as beef, beef sausages, lamb, game meats, and poultry. Fish is also gaining popularity as consumers are seeking healthier alternatives to meat. (South Africans eat more beef and lamb than pork. It has been generalized that they eat about as much pork as Americans eat lamb, and as much lamb as Americans eat pork.)

According to ACNielsen research, health information is becoming an important component of food retailing. Consumers would like to see more health, nutritional and weight loss information in stores. These consumers will most likely fit in the categories of:

1) Older female consumers who are interested in diet as a way to obtain good health in place of exercise
2) Young people and high Living Standard Measurement (LSM) consumers who are becoming increasingly aware of the importance of a good diet and exercise in order to maintain good health
3) Low LSM consumers, many of whom are feeling the impact of HIV/AIDS on their families and are thus in need of healthy food products. However, due to hard financial times for poor South Africans, health products for low LSM consumers will not find a place on grocer's shelves unless they are developed as viable substitutes for basic staples

South African farmers and manufacturers are becoming increasingly responsive to food safety issues. As South African supermarkets and food distributors continue to integrate their food supply chains, they are able to better provide traceability/accountability services for consumers. This is especially important in order to satisfy export market demands. However, food safety has a much lower profile in South Africa than in the U.S. or Europe, perhaps due to fewer incidents or due to problems in identifying food safety problems. In 2002, South Africa approved a set of food safety regulations that embrace the important principles of HACCP and follow the Codex Alimentarius model. Under this regulation, exports to South Africa must meet the same food safety standards as apply to South African food producers. For more information on HACCP, please refer to Regulations Relating to the Application of the Hazard Analysis and Critical Control Point System (HACCP System) at www.doh.gov.za, (click on documents then regulations.) The South Africa Consumer Goods Council also created a Unified Food Standards Body in April 2005 that is similar to the European Union's. This has been established to unify the activities and actions related to food safety by the private sector, government, academic institutions and consumers, and it is hoped that the new governing body will clarify food regulations and standards.

D. Food Standards and Regulations:

Agricultural Standards: The Directorate of Plant Health and Quality with the National Department of Agriculture is responsible for setting standards for certain agricultural and agricultural-related products. This includes aspects such as composition, quality, packaging, marketing, and labeling as well as physical, physiological, chemical, and microbiological analyses. These standards are published in the Agricultural Product Standards Amendment Act of 1998 and the Liquor Products Act of 1989 as regulations for products to be sold on the local market and in the form of standards and requirements for products intended for export.

Food Labeling: According to the Foodstuffs, Cosmetics and Disinfectants Act of 1972: Regulations Relating to Labeling and Advertising of Foodstuffs, labels on food products must include the following points:

a. The name of the product

b. The name and address of the manufacturer, packer, seller, importer, or person on whose behalf the foodstuff is pre-packed

c. A list of ingredients in descending order (of mass) under the heading "Ingredients"

d. A label written in at least one of the official languages of South Africa. (This includes English)

e. Instructions for special storage conditions, when applicable

f. The product's country of origin

In practical terms, most U.S. products meet South African labeling regulations. However, there are regulations regarding the usage of certain words and expressions that imply health-giving properties. Precise explanations of the terms and conditions for food product labeling can be found at http://www.doh.gov.za/. (Click on Documents, then Regulations, then Regulations Relating to Labeling and Advertising of Foodstuffs, August 8, 2002; #1055. Note that the annexure section of this document provides information on required nutrition analysis).

A useful reference is the GAIN Report SF4029, Food and Agricultural Import Regulations and Standards for South Africa, which was written by our office in August 2004 and can be found at the following link: http://www.fas.usda.gov/gainfiles/200410/146117652.pdf

E. South Africa's Interaction with International Trade Organizations

South Africa is a member of the World Trade Organization (WTO) and follows the Harmonized System (HS) of import classification. South African shipments are eligible for Generalized System of Preferences (GSP) and African Growth and Opportunity Act (AGOA) treatment in the United States, which brings US tariffs on most goods to zero. US shipments to South Africa qualify for Most Favored Nation treatment.

There is free trade between South Africa and the other four countries (Botswana, Lesotho, Namibia, and Swaziland) comprising the Southern African Customs Union (SACU). There will also be substantially free trade between South Africa and the European Union by 2008 as a result of the Free Trade Agreement between them. The Southern African Development Community (SADC) Free Trade Agreement should also allow the free exchange of goods among the 14 countries of the region when it comes into full effect, but this will be a long-term project.

A Trade, Development, and Cooperation Agreement containing a Free Trade Agreement (FTA) went into force between South Africa and the European Union (EU) on January 1, 2000. Under the FTA, the EU is committed to the full liberalization of 95 percent of South African imports over a 10-year transitional period, while South Africa is to liberalize 86 percent of EU imports over a 12-year transitional period. A Free Trade Agreement is currently being negotiated between the United States and the Southern Africa Customs Union (which contains South Africa); however, negotiations have been at a standstill for a year. South Africa and its SACU partners will meet with U.S. representatives in July 2005 in Geneva to try to restart the discussions.

F. General Import and Inspection Procedures:

Import Permits: All food consignments are subject to random checking and sampling at points of entry all over the country to ensure food items imported into the country are safe and comply with the prescribed standards and regulations. International freight forwarders normally handle documentation and other formalities with authorities at entry points. Provided all necessary documents are in order, no problems or delays should occur in clearance of goods. Under the Import and Export Control Act of 1963, the Minister of Trade and Industry may control the import of certain goods into South Africa. The list of restricted goods has decreased in recent years. Products that still require import permits are fish and fish products.

Tariffs: Since 1994 South Africa has reformed and simplified its tariff structure in order to comply with its WTO commitments. It has reduced tariff rates from an import-weighted average tariff rate of more than 20 percent to 7 percent. Notwithstanding these reforms, importers have complained that South Africa's tariff schedule remains complex and can create uncertainty. Tariff rates mostly fall within eight levels ranging from 0 percent to 30 percent, but some are higher. There are high tariffs on imports of textiles and apparel. Antidumping duties remain on U.S. chicken parts through December 2005, and the South African Poultry Association has petitioned the Government (ITAC) to extend those duties for another 5 years. Please read SF3027 for further information on poultry duties.

Biotechnology: There has been an active debate in South Africa on food produced using modern biotechnology - often referred to as genetically modified food (GM). The Genetically Modified Organisms Act that came into force on December 1, 1999, aims to ensure that all activities involving the use of GMOs (including production, import, release and distribution) will be carried out in such a way as to limit possible harmful consequences to the environment. In June 2001, the South African government published the National Biotechnology Strategy for South Africa, expressing the South African government's intent to stimulate the growth of biotechnological industries. The document states that biotechnology can make an important contribution to national priorities, particularly in the area of human health, food security and environmental sustainability.

As of June 2005, South Africa has approved 9 different general release genetically modified seed varieties, known as "events," for commercial planting, import, export, human consumption or animal feed. There are several other events that are allowed for import only and are not locally planted, along with others that are being field tested for possible future South African production. Presently, no "stacked event GMOs" (multiple events combined

into one seed) have been approved for commercial planting, but South Africa is currently reviewing certain stacked events for general release in the future.
The South African Department of Health created regulations regarding GMO labeling. These regulations, issued on January 16, 2004, state that food with genetically modified ingredients require labeling only if its composition, nutritional value, or mode of storage or cooking is significantly different from conventional food.

For more information on GMO labeling and definitions of GMOs that require labeling, please refer to Regulations Relating to the Labeling of Foodstuffs Obtained Through Certain Techniques of Genetic Modification 16 January 2004 (www.doh.gov.za, click on documents then regulations). For more information on biotechnology in South Africa, see www.africabio.com. Further references are the Gain reports SF3009 and SF4029 (Trade Policy Report and Food and Agricultural Import Regulations and Standards Report.)

SECTION III: MARKET SECTOR STRUCTURE AND TRENDS

A. Competition:

Exports: South Africa's agricultural exports for 2004 reached a total of $4.496 billion, up from $4.051 billion in 2003. South Africa's five largest export destinations were the U.K. ($562.223 million), Japan ($486.588 million), the Netherlands ($437.157 million), Italy ($222.317 million) and the United States ($202.419 million). South Africa's most important exports to the United States are fresh citrus, wine, tree nuts, fruit juice, lobster, non-coniferous wood chips, and value-added wood products.

Imports: South Africa's total agricultural imports for 2004 rose to $2.877 billion from $2.1 billion in 2003. The leading suppliers were Argentina ($454.884 million), Brazil ($283.776 million), the United States ($239.91 million), Thailand ($197.445 million), and Malaysia ($161.833 million). South Africa's major imported agricultural commodities from the United States in 2004 were wheat, coarse grains, other prepared foods such as frozen and canned vegetables, other intermediate agricultural products, hardwood lumber and hides & skins.

B. Distribution Systems for Processed Food Products:

Retail: Retail trade outlets in South Africa offer the full spectrum available in the United States. These range from the neighborhood convenience drugstore (called cafés), to the small general dealer, specialty stores handling a single product line (for example, clothing, electronics, furniture), exclusive boutiques, chain stores (groceries, clothing, toiletries, household goods), department stores, cash and carry wholesale-retail outlets, to co-operative stores serving rural areas. About 90 percent of inventories of consumer-ready products in these stores are domestically sourced. A major phenomenon in South Africa has been the evolution of hypermarkets, which sell large quantities of almost all consumer goods, similar to a Price Club retail store in the U.S. The hypermarkets, located in suburban shopping centers/malls, have disrupted the traditional distribution chain by purchasing directly from manufacturers and bypassing the wholesaler, and with low margins achieving high turnover, thereby placing price pressure on all competing outlets.

Most U.S. exporters of consumer goods sell directly to South African retail organizations, such as department stores, chain stores, and cooperative groups of independent retailers, which assume the functions of wholesale buying, selling, and warehousing.

It may be necessary to appoint an official after-sales agent for products of a technical nature in South Africa. This may be a company that does not import or market the product in question, but rather, because of its geographical reach, technical abilities and goodwill in the

market, acts as the certified service agent. Appointing an appropriate after sales agent is crucial in ensuring that the product develops a respected reputation in the South Africa.
Importers: In South Africa, only a few importers specialize in one product. Most importers are generalists who import a wide range of food products. It is important for an exporter to work with someone locally who knows the market well for the specific product in question. Agents who represent one foreign supplier are also relatively rare.

Wholesalers: Catering Wholesalers: Catering wholesalers purchase food products from various manufacturers and resell these products predominantly to catering establishments. Catering wholesalers offer the establishments a variety of food products, and some carry a select product range of specially packed "house brands". They also import large volumes of products that are sold to catering establishments.

Broker Agents: Broker Agents are mostly involved with government or other large food supply contracts. They tender for government contracts on behalf of different manufacturers. Some agents have their own warehouses and distribution facilities.

Distributor Agents: The distributor agent distributes food products on behalf of manufacturers without necessarily taking ownership of the actual products. A distributor is usually required to adhere to prices determined by the manufacturer and is paid a fee to distribute the products.

Contract and Independent Caterers: Contract and independent caterers purchase food products directly from manufacturers, wholesalers, and catering wholesalers.

For more information on distribution systems, please refer to www.mbendi.co.za. Click on Trade Services (under Related) then guides to importing, then “Succeeding in the SA market”/ “Market Entry Strategies.”

C. Trends in Advertising and Trade Promotion

South Africa has a sophisticated advertising industry. The four key players in South Africa’s advertising industry are the Association of Advertising Agencies (AAA), the Association of Marketers (ASOM), and the two major media bodies, the National Association of Broadcasters (NAB) and the Print Media Association (PMA). Additional information can be obtained from the Association of Marketers and the Association of Advertising Agencies (see contact details at the end of the report).

More recently, food promotions have moved towards advertising goods based on health related issues and “nutrition function” claims. Some South African consumers are becoming diet and health conscious, and are becoming more responsive to products that address issues such as weight loss or disease prevention. Also, American television and culture is having an increasing influence on South Africans, leading to the adoption of social morays like “thin is beautiful.”

D. Trends in Tourism:

South African tourism grew in 2004 and has continued to grow in 2005. While global overseas arrivals dropped from 2003, South Africa saw an increase 4.8% overall increase in 2004, and has experienced 10.3% growth in tourism in the first quarter of 2005 as well. Despite a strong rand, South African Tourism’s 2005 Quarterly Reports predict that the country's tourism will continue to outperform the global average. South Africa will host the 2010 Soccer World Cup, which will impact the overall growth of this sector.

Eco-tourism is the fastest growing segment of the South African tourism industry, including bird watching, nature photography, hiking and mountaineering, visits to cultural heritage villages and sites of San (bushman) rock art.

The tourism accommodation industry in South Africa provides a wide spectrum of lodgings - from the formal hotel sector to the informal holiday flats and cottages, game lodges and reserves, guesthouses, youth hostels, and bed-and-breakfast inns. There are more than 1,500 licensed hotels in South Africa, and of the estimated 30,000 rooms, about 46 percent are categorized as "not graded" while 20 percent are graded "four-star" or better. Rates are considered modest depending on the type of accommodations. Tap water is safe to drink in most areas, and there is normally a selection of still and sparkling waters in restaurants. Eating customs and menus are similar to those in Western Europe.

For more information on South African tourism, please refer to South African Tourism's Research section at www.southafrica.net (at the bottom of the home page click on "research.")

E. Trends in Online Sales:

Online sales accounted for only 0.14% of the total retail market in 2003. Although the number of online retailers in South Africa has more than tripled since 2001, about eight businesses account for 80% of online sales. Of these eight websites, many are associated with an established retail shop (for example Woolworths and Pick 'n Pay) and are able to offer specialized services like same day home deliveries and no cost returns. The most popular goods to purchase online are groceries, apparel and books. The fastest growing retail categories (in descending order) are flowers and gifts, apparel, food, beverages and groceries. Online sales in 2003 increased by 35% and were expected to increase by 25% in 2004. Also, about 20% of 2003 online sales occurred during the November-December holiday season.

SECTION IV: BEST CONSUMER ORIENTED PRODUCT PROSPECTS

Five-year trends show that some U.S. Consumer-Oriented Agricultural exports to South Africa are growing. Of interest is the Other Consumer-Oriented Products sub-category, which reached a 30-year high in 2004. Within this sub-category, other food preparations (HS210690) have shown consistent and substantial increases. Other high value exports that have shown sustained growth are almonds (HS08021200), pistachios (HS08025000), canned pink salmon (HS16041100), whiskey (HS220830) and vegetable seeds (HS120991).

According to 2004 data, the United States enjoys a dominant position in the almond, canned salmon and other food preparations markets, holding 86.27%, 69.61% and 23.95% of market share respectively. The whiskey market is significantly different. In 2003, the U.K. held 85% of market share while the United States held only 6.68%. However, the United States increased whiskey exports to South Africa in 2003 and 2004 and now holds 23.95% of the market. The U.S. has seen annual growth increase over the past 5 years by an average of 21% per year in this sector. This growth may be due, in part, to a South African preference for successfully promoted American branded products (Jack Daniels, for example). This preference is expected to continue and should help other American products be more competitive in South Africa. This along with successful marketing techniques and brand awareness may lead to the growth of other American-branded, high-value products.

Product Category	2004 South Africa Market Size	2004 U.S. Exports to S.A. ($1,000)	Annual Import Growth U.S.	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for U.S.
Whiskey HS220830	114.789	16.656	239.44		United Kingdom has large market share and a first mover advantage.	American brands are considered high quality and attract new, younger consumers.
Pistachios HS08025000	0.67	0.187	58.24%	Free	Iran has 69.28% Market Share	
Almonds HS08021200	4.815	4.154	61.22%	Free		U.S. has largest market share.
Canned Pink Salmon HS16041100	2.65	1.845	109.84 %	25%		U.S. has largest market share.
Other Food Preparations HS210690	70.409	16.863	49.48%	Varied		American brands are becoming increasingly popular given their high quality attributes
Vegetable Seeds HS120991	11.275	3.068	10.62%	Free	Netherlands leads sector with 32.59% Market Share	

SECTION V: KEY CONTACTS AND FURTHER INFORMATION

A. Contact Information for Industries Mentioned in the Report.

Franchise Association of Southern African (FASA)
Tel: 27-11-484-1285
Fax: 27-11-484-1291
Contact: Mr. Nic Louw, Executive Director
Website: http://www.fasa.co.za
Email: fasa@faso.co.za

South African Paper Industry
Tel: 27-11-360-0000
Fax: 27-11-816-1405
Website: http://www.sappi.com

South African Direct Marketing Association
Tel: 27-11-482-6440
Fax: 27-11-482-1200
Contact: Mr. Davy Ivins, Executive Director

Department of Trade and Industry
Board on Tariffs and Trade
Tel: 27-12-320-2085
Fax: 27-12-320-2085/310-9500
Website: http://www.dti.gov.za

Department of Trade and Industry
Directorate: Technology Promotion
Tel: 27-12-310-9839
Website: http://www.dti.gov.za

South African Companies Regulatory Office
Registrar of Companies
Tel: 27-12-310-9791
Fax: 27-12-328-3051
http://www.cipro.co.za
Association of Marketers (ASOM)
Tel: 27-11-706-1633
Fax: 27-11-706-4151
Contact: Mr. Derrick Dickens, Executive Director
Email: asom@pixie.co.za

Association of Advertising Agencies (AAA)
Tel: 27-11-781-2772
Fax: 27-11-781-2796
Email: lizelle@aaaltd.co.za

Industrial Development Corporation of SA, Ltd (IDC)
Tel: 27-11-269-3000
Fax: 27-11-269-3116
Contacts: Mr. Khaya Ngqula, Managing Director
Mr. Ted Droste, General Manager
Website: http://www.idc.co.za

B. Other Exporter Guides and General Market Information
www.ussatrade.co.za: The US Commercial Service has an annual South Africa Country Commercial Guide that presents a comprehensive look at South Africa's commercial environment, using economic, political and market analysis. The guide is currently being formatted for online access. Copies of the guide may be obtained through the US Commercial Service: Johannesburg.Office.Box@mail.doc.gov Tel: 27-11-778-4800

www.mbendi.co.za: This site contains information on different aspects of exporting to South Africa including an exporter guide entitled "Succeeding in the South African Market." In order to access the exporter guide, click on Trade Services (under Related) then on guides to importing. This page contains several links related to exporting goods to South Africa, including the guide, which provides an overview of South Africa and its trade environment.

www.werksmans.co.za: This site also contains general information on doing business in South Africa. In order to view it, go to the website and click on SA Business Guide.

The website of the law firm Cliffe Dekker provides general information on basic legal issues for doing business in SA. The topics range from establishing an office in South Africa to taxation and black economic empowerment. This can be found through their website at www.cliffedekker.co.za, click on literature, then Business and Investment in South Africa.

C. Post Contact

If you have any questions or comments regarding this report or need further assistance, please contact AgPretoria at the following address:

Foreign Agricultural Service
U.S. Embassy Pretoria, South Africa
Washington, D.C., 20521-9300
Tel: 011-27-12-431-4057
Fax:011-27-12-342-2264
Email: agpretoria@fas.usda.gov

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service's website at: http://www.fas.usda.gov

APPENDIX I: STATISTICS

A. KEY TRADE & DEMOGRAPHIC INFORMATION

2003 Agricultural Imports From All Countries ($Million) / U.S. Market Share	$1,754/8%
2003 Consumer Food Imports From All Countries ($Million)/ U.S. Market Share	$508/6%
2003 Edible Fishery Imports From All Countries ($Million) / U.S. Market Share	$71/3%
2003 Total Population (Millions) / Annual Growth Rate	45.3/1.1%[2]
Urban Population (Millions) / Annual Growth Rate	22/1.9%
Number of Major Metropolitan Areas	9
Size of Middle Class	9,478,480[3]
2003 Per Capita Gross Domestic Product (US Dollars)	$4,117.1[4]
Unemployment Rate	37%
Per Capita Food Expenditure (U.S. Dollars)	$458[5]
Percent of Female Population Employed	24.7%[6]
2004 Average Weighted Exchange rate	$1=R6.44[7]

[2] Source: World Bank Group Data and Statistics, www.worldbank.org.
[3] Source: South Africa 2001 census, www.statssa.gov.za. Middle class defined as employed South Africans, older than 15 years, who earn more than R3200 per month and includes their household dependants. According to census data, there were 3.8 people per average household in 2001 and 2,494,337 people earning an income greater than R3200.
[4] Source: World Bank Group Data and Statistics, www.worldbank.org.
[5] Source: National Department of Agriculture, "Economic Review of South African Agriculture 2003," www.nda.agric.za.
[6] Source: South Africa 2001 census, www.statssa.gov.za
[7] Down from $1=R7.56 in 2003. Source: Federal Reserve Bank, www.federalreserve.gov

B. CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS

South Africa Imports	Imports from World			Imports from the U.S.			U.S. Market Share %		
(In Millions of Dollars)	2001	2002	2003	2001	2002	2003	2001	2002	2003
BULK AGRICULTURAL TOTAL	376	590	630	24	66	61	6	11	10
Wheat	32	88	110	3	7	34	11	8	31
Coarse Grains	36	134	27	0	38	6	0	28	22
Rice	111	118	153	15	17	15	13	15	10
Soybeans	3	6	5	1	1	1	0	17	0
Other Oilseeds	9	6	8	1	1	1	0	2	2
Cotton	47	59	74	1	0	1	1	0	1
Tobacco	53	63	75	4	1	1	8	2	1
Rubber & Allied Gums	32	49	65	1	1	1	2	0	0
Raw Coffee	12	13	17	1	1	1	0	0	0
Cocoa Beans	4	6	8	0	0	0	0	0	0
Tea (Incl. Herb Tea)	16	16	16	1	1	1	0	0	0
Raw Beet & Cane Sugar	1	2	8	1	1	1	25	0	0
Pulses	11	22	42	1	1	4	5	5	9
Peanuts	6	2	13	0	0	0	0	0	0
Other Bulk Commodities	5	5	8	1	1	1	0	0	0
INTERMEDIATE AGRICULTURAL TOTAL	483	524	617	38	42	44	8	8	7
Wheat Flour	1	1	1	0	1	0	0	6	0
Soybean Meal	89	90	86	1	1	1	1	0	0
Soybean Oil	26	41	64	1	1	1	0	1	1
Vegetable Oils (Excl. Soybean Oil)	132	137	173	1	3	1	0	2	1
Feeds & Fodders (Excl. Pet Foods)	18	18	24	3	3	5	18	15	20
Live Animals	6	7	9	1	1	1	15	1	8
Hides & Skins	27	17	28	1	1	1	1	2	0
Animal Fats	3	16	12	1	5	5	31	28	40
Planting Seeds	18	23	22	7	10	7	39	42	32
Sugars, Sweeteners, & Beverage Bases	4	8	13	1	1	2	16	10	18
Essential Oils	29	30	33	6	5	5	20	15	14
Other Intermediate Products	129	137	152	17	15	18	13	11	12
CONSUMER-ORIENTED AGRICULTURAL TOTAL	362	330	508	28	26	33	8	8	6
Snack Foods (Excl. Nuts)	27	17	43	1	1	1	3	4	2
Breakfast Cereals & Pancake Mix	4	4	4	1	1	1	3	3	2
Red Meats, Fresh/Chilled/Frozen	36	27	44	1	1	1	1	2	1
Red Meats, Prepared/Preserved	1	2	5	1	1	1	3	0	0
Poultry Meat	37	35	72	1	1	4	3	4	5
Dairy Products (Excl. Cheese)	29	32	33	1	1	1	0	0	0
Cheese	8	9	14	1	1	1	3	2	1

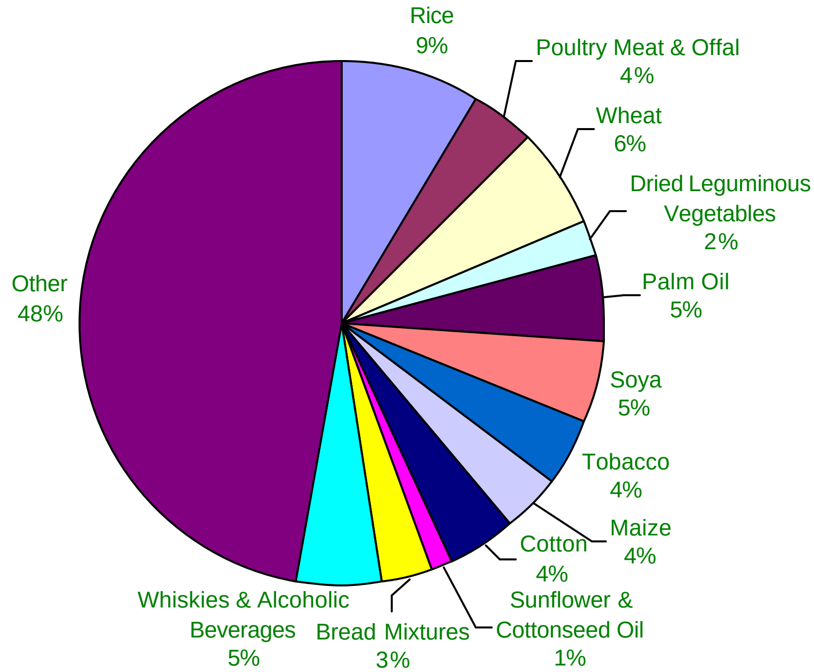
Eggs & Products	1	1	2	1	1	1	25	38	38
Fresh Fruit	3	3	5	1	1	1	0	1	1
Fresh Vegetables	1	1	2	1	0	0	14	0	0
Processed Fruit & Vegetables	30	25	42	3	2	2	9	8	4
Fruit & Vegetable Juices	3	4	12	1	1	1	11	6	2
Tree Nuts	13	12	16	3	2	3	21	18	19
Wine & Beer	8	10	25	1	1	1	1	0	0
Nursery Products & Cut Flowers	4	4	6	1	1	1	4	4	1
Pet Foods (Dog & Cat Food)	10	8	12	2	2	3	19	24	30
Other Consumer-Oriented Products	146	137	173	17	16	18	11	12	10
FOREST PRODUCTS (EXCL. PULP & PAPER)	129	140	178	20	25	23	15	17	13
Logs & Chips	4	4	7	1	1	1	9	15	11
Hardwood Lumber	55	56	63	11	12	11	21	21	18
Softwood and Treated Lumber	6	6	10	1	1	1	1	0	1
Panel Products (Incl. Plywood)	30	37	47	7	10	9	22	27	19
Other Value-Added Wood Products	35	37	51	1	2	2	4	5	4
FISH & SEAFOOD PRODUCTS	55	48	71	1	1	2	2	2	3
Salmon	4	3	5	1	1	2	27	23	32
Surimi	1	1	1	0	0	0	0	0	0
Crustaceans	16	14	15	1	1	1	0	1	0
Groundfish & Flatfish	4	5	9	1	1	1	0	1	0
Molluscs	8	7	13	1	1	1	0	0	1
Other Fishery Products	23	19	28	1	1	1	0	0	0
AGRICULTURAL PRODUCTS TOTAL	1221	1445	1754	90	133	138	7	9	8
AGRICULTURAL, FISH & FORESTRY TOTAL	1405	1633	2003	110	159	163	8	10	8
Source: FAS Global Agricultural Trade System using data from the United Nations Statistical Office									

C. TOP 15 SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS

CONSUMER-ORIENTED AGRICULTURAL TOTAL - 400				FISH & SEAFOOD PRODUCTS – 700			
Reporting: South Africa Top 15 Ranking	Import 2001	Import 2002	Import 2003	Reporting: South Africa Top 15 Ranking	Import 2001	Import 2002	Import 2003
	Value 1000$	Value 1000$	Value 1000$		Value 1000$	Value 1000$	Value 1000$
Brazil	23816	27022	60550	Thailand	7841	7261	12245
United States	27600	25908	32954	Philippines	8621	7039	8078
Netherlands	19218	20409	28431	Mozambique	5509	5577	7112
Australia	31048	23269	27847	India	4929	4429	6799
Italy	17326	17265	27727	Spain	1370	1450	3900
China (Peoples Republic of)	14398	8509	26869	Norway	3831	2570	3607
United Kingdom	21703	16645	26299	Taiwan (Estimated)	4646	1813	3391
France	25542	22113	24860	New Zealand	1888	1534	3331
Argentina	4714	10017	22333	Argentina	0	978	3190
Germany	17268	19290	21594	Japan	1753	1805	2017
New Zealand	16792	17680	19455	United States	1105	849	1902
Ireland	16633	9118	19430	China (Peoples Republic of)	1476	1762	1495
Canada	7371	10945	17556	Chile	599	687	1405
Austria	11603	8920	12628	Portugal	1095	814	1332
Zimbabwe	8686	7240	10573	Canada	431	496	1127
Other	98478	86001	128345	Other	10229	8454	9611
World	362258	330434	507553	World	55322	47524	70553

Source: United Nations Statistics Division

D. TOP AGRICULTURAL EXPORTS TO SOUTH AFRICA FROM THE WORLD



E. ECONOMIC SECTORS OF SOUTH AFRICA